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Kerry Morrison  
Executive Director

March 15, 2013

**TO:** Honorable Council members and  
Chair of the Ad Hoc Committee on Economic Development Implementatation

**FROM:** Kerry Morrison, Executive Director  
Hollywood Property Owners Alliance

**SUBJECT:** Transfer of BID Management functions to proposed Economic Development  
Department (CF 08-3050)

Greetings. Last week the BID Consortium was briefed by Chris Pearson, Deputy Mayor, as to the plans to shift responsibilities for administering the city's BID program from the City Clerk's office to the proposed office of economic development.

While the BID Consortium will not be taking a position one way or the other on this change, concern surfaced that the City Clerk's Special Assessments Unit may not be transferred intact. Though there is no report generated) as to the proposed staffing configuration, it is very important that the senior, seasoned staff be included in this transfer.

As one of the long-tenured managers of a BID in this city, I must caution the city, in the strongest of terms, to not be short-sighted in failing to transfer the managerial leadership that exists in that division. That managerial leadership equates to institutional knowledge of a system that has grown more efficient over the past decade, despite the complicating factors associated with changes in legislation and, more importantly, litigation impacting assessment districts statewide.

Though the city's oversight of BIDs sounds like it should be a fairly routine administrative function, the devil is always in the details. I have personally managed five BID renewals, and have been involved in one formation. Each year, this process has become more intricate and frustrating as the city tries diligently to avoid litigation.

## **1. BID Formation and Renewal:**

This year, in particular, the mechanics of forming or renewing BIDs has been complicated by litigation both in LA, and in other parts of the state, that are muddying the waters with respect to what constitutes a general benefit in an assessment district versus a special benefit. When applying these concepts to BID formation in LA, the City Clerk and the City Attorney need to be 100 percent in sync. When they are not, the stakeholders trying to form or renew a BID suffer because decisions are hard to reach.

These are challenging issues; so challenging that a statewide task force of BID representatives, attorneys and assessment engineers are coming together to try to forge statewide consensus to guide BID formation on a go-forward basis.

The technical process associated with establishing a legally defensible boundary scheme and assessment formula (every BID's formula is unique – there is no cookie cutter BID formula) and then applying it to property characteristics in such a way that there will be no dispute after the property owner receives his or her bill is exceedingly important. Property characteristics have to be verified by City Clerk staff (e.g., building square footage...has a building been demolished or one been built?) and property change of ownership has to be determined so the proper people receive the petitions.

There is tremendous stress inherent in the process of renewing a BID, because every effort is made to create a seamless transition from one BID expiring to the new one forming. There are statutory deadlines that must be followed, and the most important deadline involves making the cut-off for the county Tax Collector to place the assessments on the tax rolls. Failure to meet these deadlines results in the worst-case scenario of “manually billing” for the BID assessment (independent of the property tax bill) which confuses stakeholders and results in lower payment rates.

I cannot imagine tackling BID formation or renewal without a seasoned manager guiding the lower level staff through the myriad decision-points. It would be penny wise and pound foolish to not ensure that transfer those who hold the institutional knowledge find leadership positions in the new department to avoid being tied up in knots with a non-seasoned staff manager.

## **2. BID Monitoring and Best Practices:**

The City Clerk's office is also involved in monitoring contract compliance between the nonprofit associations that manage the BIDs and the city. This contract compliance process was strengthened at the turn of the century after the failure of the Westwood BID, who had spent beyond the actual stream of assessment revenue received. As a result now, the BIDs must follow specific financial reporting protocols that help to keep us on track. As a citywide program, we are only as strong as our weakest link. Often it is the smaller BIDs, with volunteer or barely paid employees, that cut corners with fiscal policies, or fail to find the time to complete their reports and obligations.

It is too simplistic to suggest that the City Clerk's staff is involved with managing a fairly uniform group of BIDs across the city. In reality, the staff in the unit is interacting with executive directors working for nonprofit boards, involving hundreds of stakeholders. (For example, imagine that each of the 35+ BIDS have an average of 12 members of their boards – that is an additional 420 stakeholders that are added to the mix. Each of these boards has their own board Treasurer, who may have their own ideas as to how to handle the board's finances.) To the credit of the leadership in the Special Assessments Unit, they have worked hard to create a set of "best practices" for fiscal and administrative management, and train the BIDs regularly on these issues.

### **3. Legal compliance:**

Because of litigation that our BID was involved in at the turn of the century, the boards that manage BIDs are now subject to the Public Records Act and the Brown Act. The City Clerk's staff helps to ensure compliance. Absent this oversight, it is very possible that one of the BID boards would be sued, which would also involve the city of LA.

### **4. Technical improvements:**

The administration of the BID program is still rather unsophisticated with respect to how data is transmitted documenting assessments paid. (For example, it can take several months to figure out exactly which parcels have paid what, as this is a system that must be coordinated between the county and the city).

Finally, the BID Consortium has repeatedly asked the Mayor to establish a permanent position of a BID Ombudsmen to help serve as a conduit between the 35+ BIDs in this city and the city departments with which we must partner and work cooperatively. We continue to assert that this is required in order to optimize the effectiveness of the BID program in this city, which raises approximately \$44M annually to fund programs and services which improve commerce in the various business improvement districts throughout the city. Similar ombudsmen type positions exist in other big cities in the country, and the size and scope of the city's BID program warrants similar attention.

I would respectfully ask that before any decisions are made about transferring the Special Assessments Unit to the new economic development department, that a task force of the BID Consortium be consulted. Ultimately, we are the customers of this critical city function, and are in the best position to help city leadership understand the implications of their decisions. Requests should be made at the beginning of the document.

cc: Los Angeles BID Consortium